

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

DMG5028 – MANAGEMENT ACCOUNTING 2

(For Diploma Students Only)

2 JUNE 2017
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 4 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1**PART A**

Quality Bikes Sdn Bhd, currently produces racing bikes. Management is interested in outsourcing production of these bikes to a reputable manufacturing company that can supply the bikes for RM600 per unit. Quality Bikes incurs the following annual production costs to produce 2,000 racing bikes internally:

	Per unit	Total annual cost at 2,000 units
<u>VARIABLE COST</u>		
Direct Material	RM400	RM800,000
Direct Labour	100	200,000
Manufacturing Overhead	50	100,000
<u>FIXED COST</u>		
Factory building & equipment leasing		180,000
Factory insurance		60,000
Production supervisors/ salary		<u>70,000</u>
Total production costs		<u>RM1,410,000</u>

Outsourcing production eliminates all variable production costs, the production supervisor's salary, and factory insurance costs. Factory building and equipment lease costs will remain the same regardless of the decision to outsource or to produce internally.

Required:

- (a) Perform differential analysis report for Company which can serve as informational input into this make or buy decision.

(10 marks)

- (b) Which alternative is the best? Explain.

(2 marks)

Continued.....

PART B

Caroline Company manufactures antique dining table. It is Caroline Company policy to add a 25% markup to full costs. The following information pertains to the company's normal operations per month:

Output units	10,000 table
Machine-hours	8,000 hours
Direct manufacturing labor-hours	5,000 hours
Direct materials per unit	RM270
Direct manufacturing labor per hour	RM15
Variable manufacturing overhead costs	RM180,000
Fixed manufacturing overhead costs	RM375,000
Marketing and distribution costs	RM470,000*
(*60% is fixed)	

Required:

- (a) For long-run pricing of the dining table, what price will MOST likely be used by Caroline Company?
- (b) Caroline Company is invited to bid on a one-time-only special order to supply 300 dining tables for hotel. Currently the company has excess capacity, however, accepting the special order would increase the fixed manufacturing overhead by RM3,000. What is the lowest price per table Caroline Company should bid on this special order?

(6.5 marks)

(6.5 marks)

[TOTAL 25 MARKS]

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QUESTION 2**PART A**

Dolmat Company manufactures school uniform for both girls and boy's wear. To determine the amount of overhead assigned to each product line, the controller, Mr. Hatta, has developed the following information.

	<u>School Uniform</u>	
	<u>Girls</u>	<u>Boys</u>
Estimated unit produced	55,000	20,000
Direct labor hour per unit	1	1

Total estimated overhead costs for the two product lines are RM650,000.

Required:

- (a) By using a single overhead rate, compute the overhead cost assigned to the girls and boys school uniform, assuming that direct labor hours are used to allocate overhead costs. Show important formula and all workings (round your answer to two decimal places).

(4 marks)

- (b) Mr. Hatta is not satisfied with the traditional method of allocating overhead because he believes that most of the overhead costs relate to the Boys product line because of its complexity. He therefore develops the following three activity cost pools and related cost drivers to better understand these costs.

<u>Activity Cost Pools</u>	<u>Estimated Overhead Costs</u> (RM)	<u>Expected Use of Cost Drivers Per Activity</u>	<u>Expected Use of Cost Drivers Per Product</u>	
			<u>Girls</u>	<u>Boys</u>
Setting up machines	300,000	15,000 setups	9,000	6,000
Assembling	200,000	20,000 labor hours	13,000	7,000
Inspection	150,000	10,000 inspections	6,000	4,000

Continued.....

Compute the overhead costs assigned to the girls uniform and boys uniform product lines by using activity-based costing information as above. Show important formulas and all workings.

(10 marks)

- (c) Explain the implication of using Activity Based-Costing?

(1 marks)

PART B

Oswald Company wants to produce digital pointer. The standard cost as below:

The standard cost for one unit of digital pointer are:

Direct material	RM35
Direct labor	25
Manufacturing overhead	<u>50</u>
Total standard cost	<u>RM110</u>

Fixed selling and administrative per unit is RM15, total variable manufacturing overhead is RM400,000 while total variable selling and administrative is RM600,000.

Investment of RM2,000,000 are needed to buy the equipment in production line. The company expected the ROI is 10% on the investment. The company plan to produce 20,000 digital pointers for the year.

Continued.....

Required:

Use the general formula for determining a mark up percentage to compute the required markup percentages and target selling price with the following cost-plus formulas:

- (a) Total variable manufacturing cost.
- (b) Absorption cost.
- (c) Full cost.
- (d) Total variable cost.

(10 marks)

[TOTAL 25 MARKS]

QUESTION 3

Marvel Sdn Bhd manufactures two products; Model AB1 and XY2. It is in the process of preparing its budgets for the next quarter (April, May and June). Marvel has budgeted the following unit sales:

<u>Budget sales (units)</u>	Model AB1	Model XY2
April	3,000	7,000
May	5,500	5,000
June	3,500	3,000
July	4,000	4,000
August	4,500	3,500

Of the units budgeted, Model AB1 are sold at an average price of RM20 per unit and Model XY2 are sold at an average price of RM15 per unit.

The finished goods units on hand on March 31, 2017, was 1,500 units for Model AB1 and 2,000 units for Model XY2. It is the company's policy to maintain a finished goods inventory at the end of each month equal to 20% of next month's anticipated sales.

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Model AB1 requires 3 pounds of raw materials that are estimated to cost of RM4 per pound, whilst Model XY2 requires 2 pounds of raw materials at estimated cost of RM2.50 per pound. They also have a policy of maintaining a raw materials inventory at the end of each month equal to 30% of the pounds needed for the following month's production. There were 2,640 pounds of raw materials for Model AB1 and 1,400 pounds for Model XY2 on hand at March 31, 2017.

Required:

You are required to prepare the following budgets for April, May and June for both model; Model AB1 and XY2:

- (a) Sales budget. List the model and show for each month and for the total, units, selling price and total sales by model and in total.
(10 marks)
- (b) Production budget in units.
(7 marks)
- (c) Direct materials budget.
(8 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Zamrimat Tailor manufactures business suits. The company uses a standard cost accounting system. In June 2016, 11,500 suits were made. The following data refers to direct material and direct labour costs incurred by the company during the said month. All materials purchased were used in production.

Cost element	Standard (per unit)	Actual
Direct material	5 meters at RM 6.50 per meter	RM 392,000 for 56,000 meter
Direct labour	1 hour at RM 11.50 per hour	RM 123,200 for 11,200 hours

Required:

- (a) Compute the total material variance, material price variance and material quantity variance.

(12.5 marks)

- (b) Compute the total labour variance, labour price variance and labour quantity variance.

(12.5 marks)

[TOTAL 25 MARKS]

End of page.